Annual Report 1972

Union Carbide Canada Limited

UNION CARBIDE

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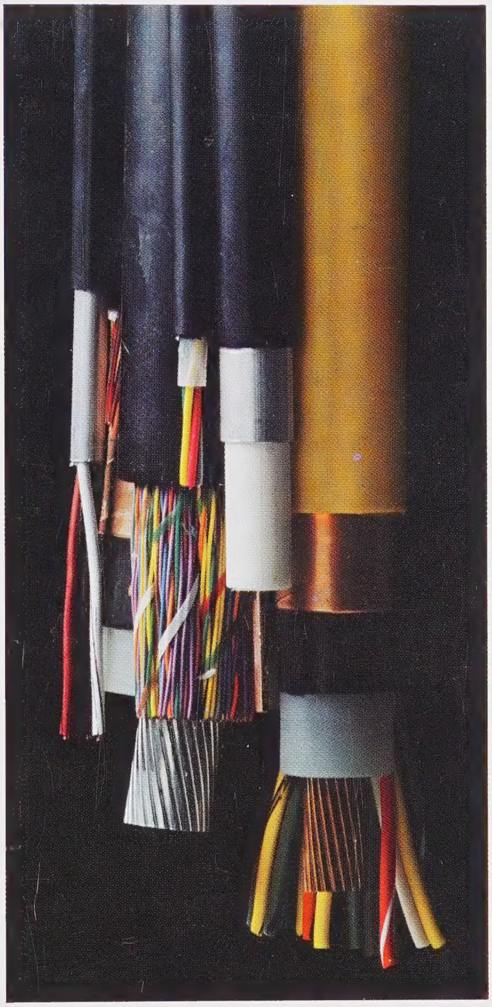

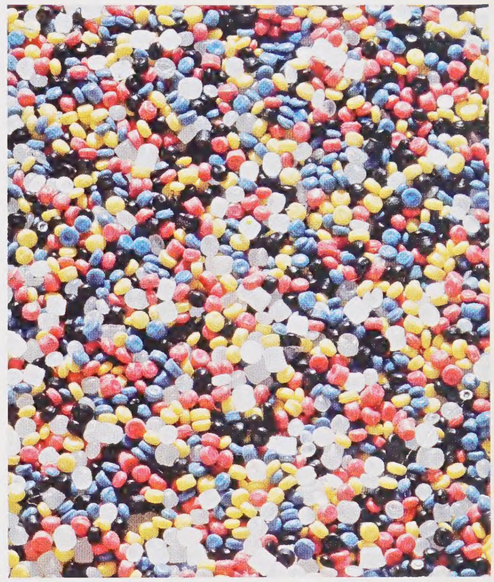

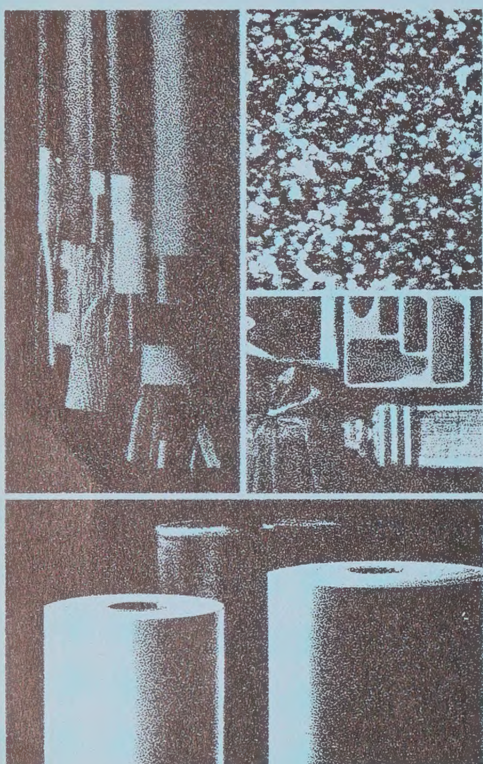

On the cover: Montage of photographs illustrates the wide-ranging applications of polyethylene, one of the major products of Union Carbide Canada Limited and the most widely used plastic in the world today. A thermoplastic, polyethylene is produced in resin form. It is extruded into film for a variety of commercial and agricultural uses, converted into flexible packaging for food and other consumer products and utilized to make such popular household convenience items as garbage bags. It is also employed extensively by the wire and cable industry for insulating purposes, and used in the production of numerous types of extrusion coated and molded products. Union Carbide's petrochemical complex at Montreal East contains Canada's largest polyethylene producing facilities.

Sur demande, il nous fera plaisir de vous envoyer l'édition française de ce rapport.

Directors

Jacques de Billy
Senior Partner,
Messrs. Gagnon, de Billy,
Cantin, Dionne & Martin
Quebec City

Douglas F. S. Coate
Secretary and General Counsel,
Union Carbide Canada Limited
Toronto

John S. Dewar
President,
Union Carbide Canada Limited
Toronto

John H. Field
Vice-President,
Union Carbide Canada Limited
Toronto

Alexander I. Hainey
Vice-President,
Union Carbide Canada Limited
Toronto

Salter A. Hayden
Senior Partner,
Messrs. McCarthy & McCarthy
Toronto

Allen T. Lambert
Chairman of the Board,
The Toronto-Dominion Bank
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Fred B. O'Mara
Executive Vice-President,
Union Carbide Corporation
New York

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Vice-President,
Union Carbide Canada Limited
Toronto

John F. Shanklin
Vice-President and Secretary,
Union Carbide Corporation
New York

Ian D. Sinclair
Chairman of the Board,
Canadian Pacific Limited
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Robert L. Hammond
Treasurer

Audit Committee

Jacques de Billy
John S. Dewar
Allen T. Lambert
John F. Shanklin
Ian D. Sinclair

To our shareholders

The year 1972 marked a period of record sales and improved earnings for Union Carbide Canada Limited as most of the Company's product areas gained from the continued buoyancy of the Canadian economy.

Sales increased seven per cent over the previous year to reach an all-time high of $212 million. Domestic shipments were significantly ahead of 1971, more than offsetting an anticipated moderate decline in export volume.

Net income results for the year at $11.6 million, or $1.16 a share, registered an increase of 23 per cent over 1971. The greater sales, improved plant-cost ratios and a reduction in income taxes were major contributing factors to the growth in earnings.

Construction expenditures reached a record level of $25.6 million. Two major facilities, a tonnage oxygen plant at Sault Ste. Marie, Ontario, and a manganese alloy furnace at Beauharnois, Quebec, accounted for the greater part of this capital outlay. Both projects will be fully operational by mid-year.

When completed, these facilities along with others placed in service in 1971 will provide the Company with modern, world-competitive production capacity, with built-in environmental safeguards, for most of its major businesses.

Further improvements in sales and earnings are anticipated in 1973, in line with forecasted Canadian economic growth. Some strengthening of the Company's price index is also indicated, providing a measure of relief from the cost-price squeeze of the past decade.

Another heavy year of construction expenditures is forecast, a significant portion of which will be required to complete the Beauharnois expansion and to commence construction of a new air separation plant at Montreal East.

One new appointment to senior management was made during 1972 with the naming of William F. Silvia as General Manager of the Company's Gas Products group. In January, 1973, Fred B. O'Mara, Executive Vice-President of Union Carbide Corporation, was appointed a Director to succeed James C. Malone, who retired from the Board.

To all of our employees, I would like to express my sincere appreciation for their most significant contribution to the Company's success in 1972. With their continued loyalty and support, we look forward with confidence to higher levels of achievement in 1973.

J. S. Dewar

President

The Annual Meeting of Shareholders will be held on Monday, April 30, 1973, at 11.00 a.m. in the Roof Garden of the Royal York Hotel, Toronto.

Financial highlights

	1972	1971
Sales	$212,045	$198,322
Net Income	11,635	9,429
Per Share	$1.16	$0.94
Dividends	6,000	6,000
Per Share	$0.60	$0.60
Shareholders' Equity	127,345	121,710
Per Share	$12.73	$12.17
Working Capital	50,207	44,731
Construction Expenditures	25,567	11,657
Depreciation	15,037	12,739
Total Assets	208,582	195,513

(dollars in thousands—except per share figures)

Using garbage bags donated by Union Carbide, some 1,600 students spent the summer of 1972 cleaning up Ontario conservation areas and shorelines. They were employed in the conservation authorities branch of SWEEP (Students Working in an Environmental Enhancement Program), a provincial government-sponsored youth employment program. To get the program underway, Ontario Natural Resources Minister Leo Bernier (second from left) and Union Carbide vice-president Gordon Patterson (right) pitched in with the clean-up.

1972 in review

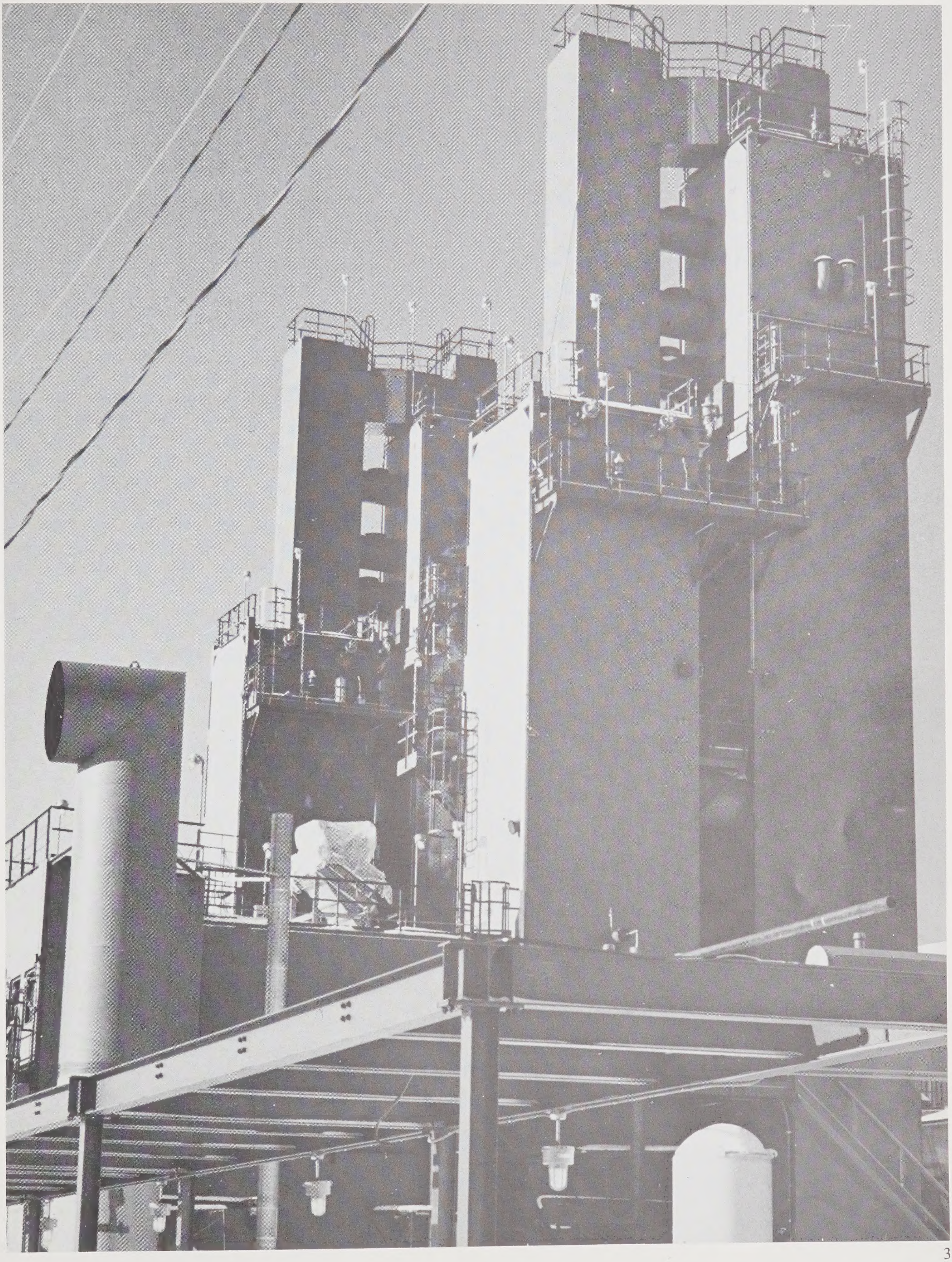
Sales exceeded the $200 million mark for the first time in 1972, reaching $212,045,000, an increase of seven per cent over 1971's sales of $198,322,000.

Net income at $11,635,000, or $1.16 per share, improved 23 per cent over the previous year's restated earnings of $9,429,000, or 94 cents a share. Principal contributing factors to the earnings gain were the higher sales, reduced corporate taxes and improved plant operating efficiencies.

The restatement of 1971 net income from 96 to 94 cents a share results from a change in accounting practice whereby Union Carbide adopted the equity method of reporting its investment in less-than-majority-owned companies. Under the equity method, Union Carbide's share of such companies' earnings, rather than dividends, is included in consolidated net income.

A wholly-owned subsidiary, Becker Drills Ltd., the Company's non-woven fabric business and its flexible packaging facility at Fort Garry, Manitoba, were sold during the year. None of these divestments had a significant effect on consolidated earnings. Service to customers formerly supplied by the Fort Garry plant was transferred to facilities in British Columbia and Ontario.

This new plant at Sault Ste. Marie, Ontario, is one of Canada's largest-tonnage oxygen facilities and one of the most modern operations of its type in the world. Built by Union Carbide to supply the expanding oxygen requirements of The Algoma Steel Corporation Limited, the plant has a capacity of 1,200 tons a day. Oxygen, an essential ingredient in steel production, is injected into basic oxygen furnaces for the high-speed oxidation of iron to steel.

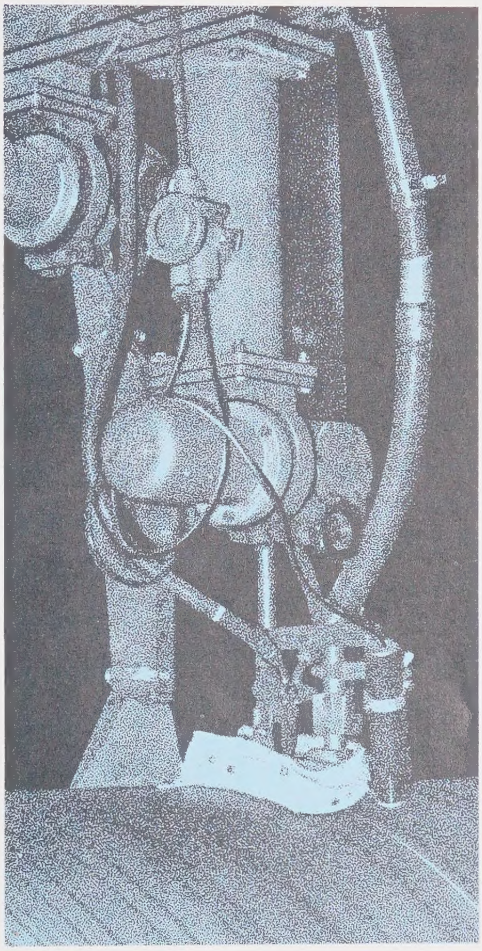



NEW
NOUVEAUTÉ
Prestone II
WINTER ANTI-FREEZE
SUMMER ANTI-BOIL
ANTIGEL POUR L'HIVER
ANTIEBULLITION POUR L'ÉTÉ
WARNING·AVERTISSEMENT
POISON

Sales by group

Chemicals and Fibres sales increased significantly over 1971, reflecting the generally-improved economic conditions. Sales of chemicals gained in all market areas, and demand strengthened for nylon products for the manufacture of commercial and residential carpeting. Anti-freeze prices showed some deterioration as a result of an anticipated international over-supply situation. New PRESTONE II, a patented summer/winter coolant with a unique silicone/silicate formula, was introduced in the fall, receiving excellent consumer acceptance.

The **Plastics** group showed the greatest sales growth during the year. There was a marked upswing in demand for polyethylene and the Company was able to capitalize on this with the first full year of production from its expanded facilities at Montreal East. Film sales maintained steady growth, and GLAD home products registered strong gains as Union Carbide increased its participation in the expanding consumer market for plastic wrap and bags. Sales of thermosetting plastics increased slightly over the previous year. Shipments of food casings were inhibited by a softening in market demand.

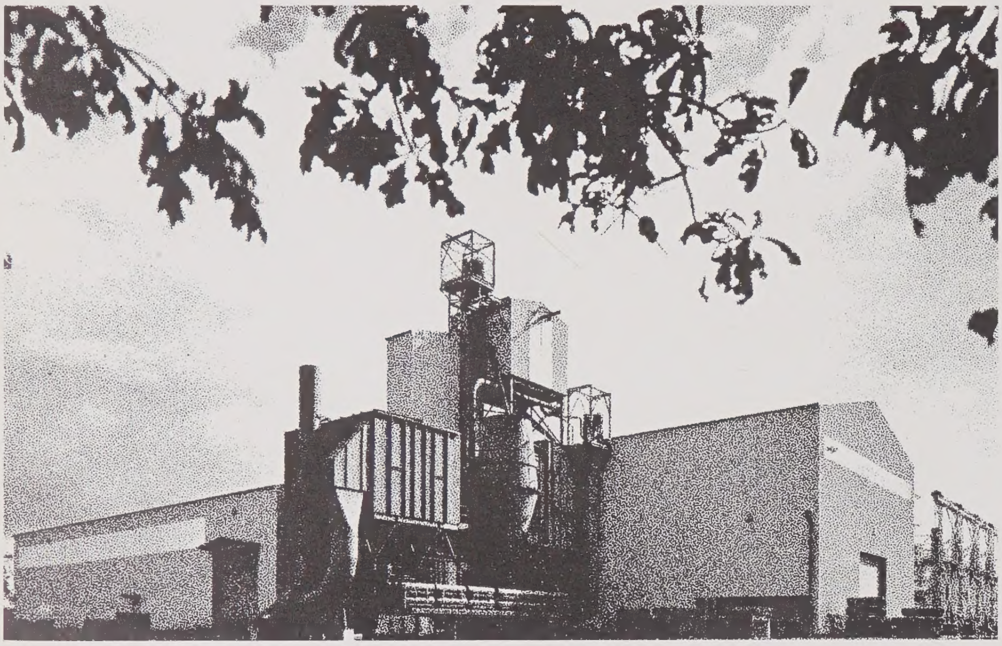


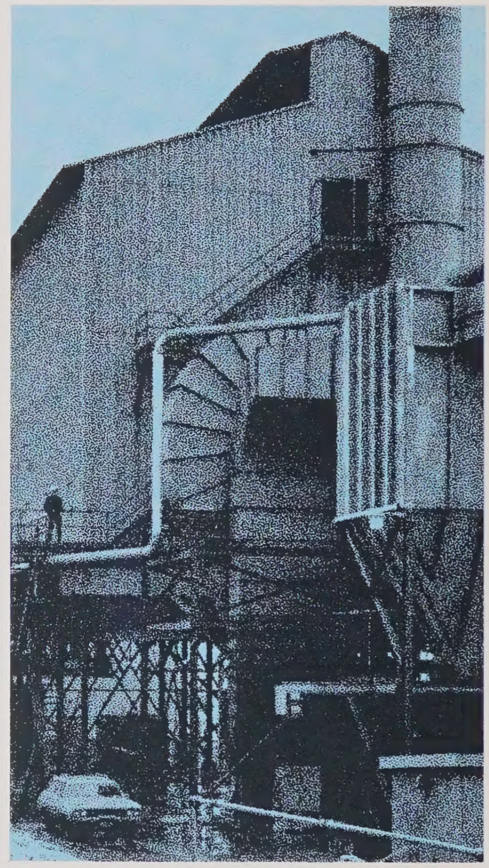
Sales of **Gases** gained from the increased pace of activity in the wide range of industries which use the gases and equipment marketed by this group. The demand for electric welding apparatus was particularly strong.

Metals and Carbon sales improved marginally. The major products of this group are ferroalloys and graphite electrodes for the iron and steel industries, silicon metal and carbon cathode blocks for the aluminum industry, and graphite anodes for the caustic-chlorine industry. Lack of growth in the aluminum industry was a restrictive factor on sales performance. Strong competitive pressures on ferroalloy pricing also affected the dollar value of 1972's sales. Battery sales increased during the year, a significant development in this market being the increasing popularity of miniature, battery-operated calculators.

Popular PRESTONE anti-freeze was given a new name, new formula and a distinctive new container in 1972. Introduced in the fall, PRESTONE II summer/winter coolant was well received by consumers. Its silicone/silicate formula prevents rust and corrosion formation.

Spiral forming is the latest method used by the pipe industry to produce line and water pipe in a range of diameters. Union Carbide supplies submerged arc welding equipment and materials to pipe manufacturers across Canada for use in both spiral and longitudinal mills.





Construction

Construction expenditures totalled $25.6 million as Union Carbide continued to expand and modernize the facility base for its major product areas. The amount was a record and more than double the $11.7 million expended in 1971 when external considerations delayed the start of two projects.

At Sault Ste. Marie, construction proceeded on a $13.5 million ~~tonnage~~ oxygen facility to supply the expanding oxygen requirements of The Algoma Steel Corporation Limited. The plant went into operation on schedule in early 1973.

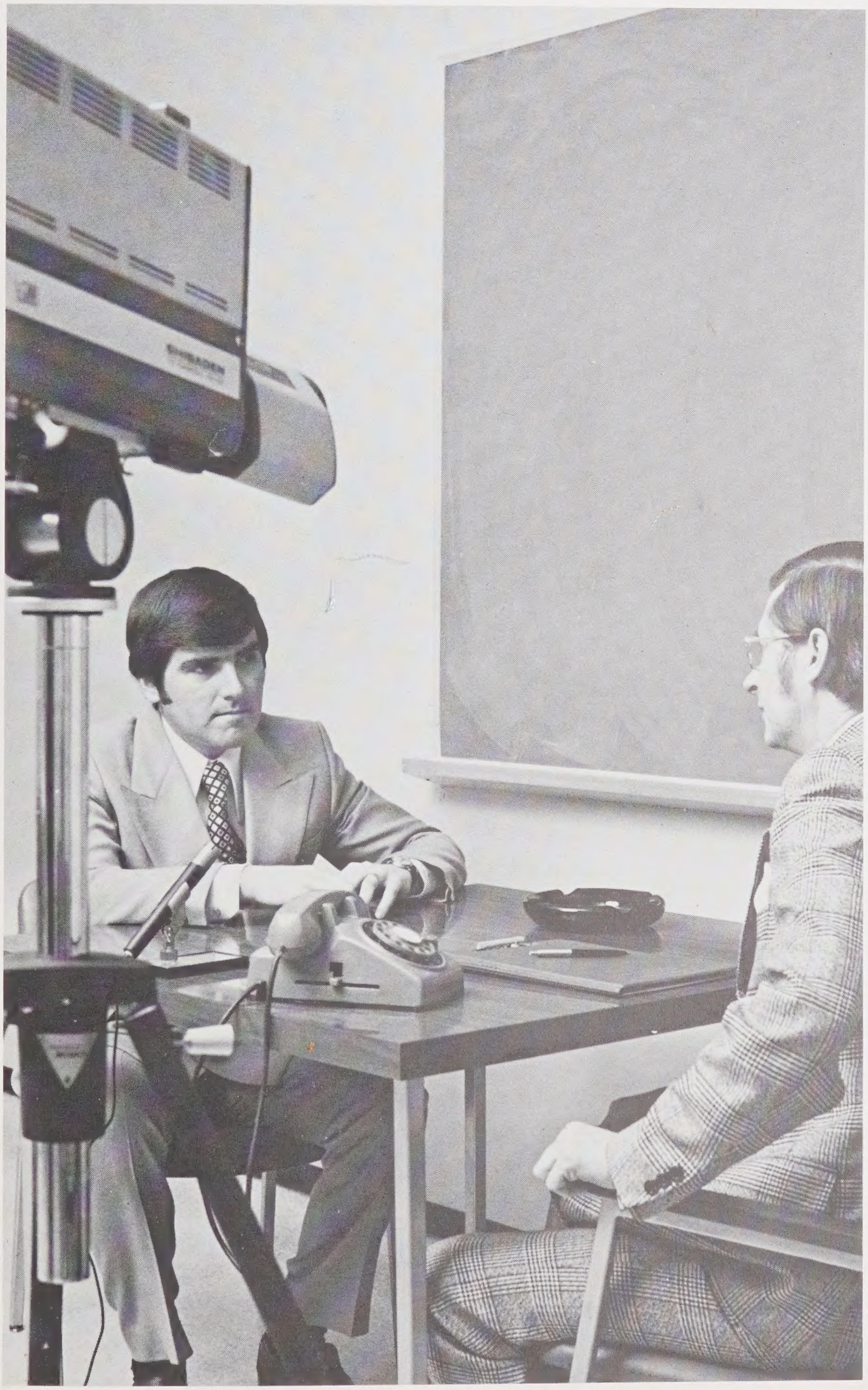
Work continued at Beauharnois on a $13.7 million plant addition, consisting of a manganese alloy furnace and associated ore sintering and charge preparation facilities. The furnace, which is scheduled for start-up in mid-1973, will be the largest of its type in the Western world. Manganese alloys are used in steel production as de-oxidizers and strengthening agents.

Polyethylene film production facilities at Lindsay, Ontario, and Cowansville, Quebec, were expanded by 30 per cent, and the manufacturing capacity for plastic garbage bags was doubled at the Orangeville, Ontario, consumer products plant.

Other construction activities involved pollution control projects. A giant dust collector was installed at the Beauharnois plant as part of a continuing program to control furnace emissions. At the Welland, Ontario, carbon and graphite facility, the installation of incineration. equipment was completed to control emissions from baking kilns.

Dust collector on the baking building of Union Carbide's expanded graphite production facilities at Welland, Ontario, is one of three that control all particulate emissions from the operation.

At the Beauharnois, Quebec, metals plant, this massive baghouse collector was constructed in 1972 to control fume from a ferroalloy furnace. The collector is the first of two of its type to be installed at the plant.



Employees

The direction of manpower training in 1972 focussed on a goal of excellence in professional management with particular emphasis on the fundamental managerial skills of planning, leading, organizing and controlling.

Largely as a result of the divestments of Becker Drills, the non-woven fabric business and the Fort Garry plant, total employment again reflected a slight decline from the previous year's level.

Improvements to the Company's vacation plan were announced. Effective in 1973, the changes provide employees with additional vacation based on length of service.

The year saw a marked improvement in safety performances, particularly at major plants. Disabling injuries declined 26 per cent from 1971.

More than 250 employees participated in the Company's educational refund plan, receiving reimbursement for 75 per cent of their tuition costs after completing qualified courses of study.

Union Carbide's employee training programs are made more effective by the selective use of such aids as audio-visual equipment. The instant playback feature of this video-tape unit recording a sales training session assists trainees in self-evaluation.

Technology

Research and development activities at the Company's laboratories covered a number of product areas. Significant projects undertaken during the year included work on new welding methods for the fabrication of pipe for high Arctic service, the development of new metallurgical applications for oxygen, the use of liquid nitrogen for ground stabilization purposes in a variety of construction operations and the refinement of a new procedure for cleaning molten aluminum, using mixtures of nitrogen and chlorine.

Extensive laboratory time was also devoted to the improvement of process technology. At the Walkerton, Ontario, consumer products plant, for example, new equipment went into service to assemble zinc carbon cells for the popular nine-volt size transistor battery. Conceived at Walkerton, the equipment improves the efficiency of battery production, increasing output by as much as 25 per cent.

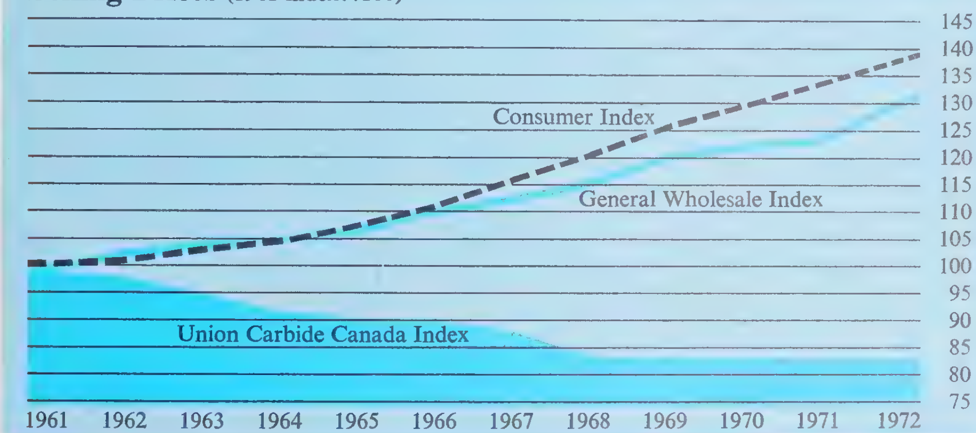
Carpet yarn technology, developed by Union Carbide at its Arnprior, Ontario, nylon facility, was sold to two overseas customers. Nylon producers in Italy and Poland were licenced to use the know-how which features a unique differential dye process by which yarn of divergent dye affinities can be combined in a single dye bath to produce multi-coloured carpets.

Carpeting made of UNEL 5 nylon is used in this open landscaped office of Bell Canada in Toronto. Union Carbide's Arnprior, Ontario, fibres plant specializes in nylon yarn for the production of commercial carpeting. Technology developed at the plant has been sold to two overseas customers.

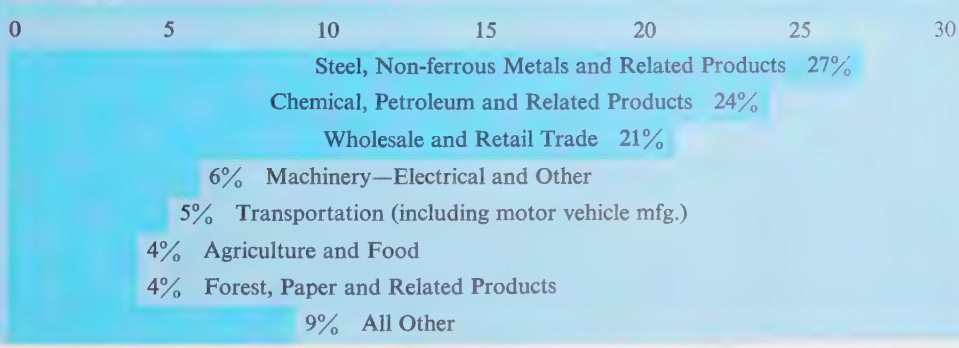
Sales by Group

	1972 Amount (in thousands)	1972 Per Cent of Total	1971 Amount (in thousands)	1971 Per Cent of Total	1972 Percentage Change from 1971
Chemicals and Fibres	$ 36,743	17	$ 33,530	17	+10
Plastics	65,011	31	57,339	29	+13
Gases	34,704	16	32,233	16	+ 8
Metals and Carbon	75,587	36	75,220	38	—
	$212,045	100	$198,322	100	+ 7

Selling Prices (1961 index..100)



Sales by markets (per cent of Sales)



Construction expenditures by group

	1972 Amount (in thousands)	1972 Per Cent of Total	1971 Amount (in thousands)	1971 Per Cent of Total
Chemicals, Fibres and Plastics	$ 4,061	16	$ 4,422	38
Gases	11,645	45	3,658	31
Metals and Carbon	9,861	39	3,577	31
	$25,567	100	$11,657	100

Distribution of the 1972 sales dollar

Consolidated statement of income and retained earnings

	(thousands of dollars) Year Ended December 31, 1972		Year Ended December 31, 1971 (restated)	
Sales		$212,045		$198,322
Cost of Goods Sold	$158,392			149,164
Selling, General and Administrative Expenses	17,483			16,550
Depreciation (Note 6)	15,037			12,739
Interest on Long-Term Debt	1,963			1,417
Amortization of Patents, Trade Marks and Goodwill	411			549
		193,286		180,419
		18,759		17,903
Investment Income	476			264
Gain on Disposal of Capital Assets	514			219
		990		483
		19,749		18,386
Income Taxes (Note 4)				
Current	8,785			8,642
Deferred	(36)			761
		8,749		9,403
		11,000		8,983
Share of Income of Companies Carried at Equity (Note 1)		635		446
Net Income		11,635		9,429
Net Income per Share	*$1.16*		*$0.94*	
Retained Earnings at January 1				
As Previously Reported	62,551			58,983
Prior Period Adjustment (Note 1)	(441)			(302)
As Restated		62,110		58,681
		73,745		68,110
Dividends Paid		6,000		6,000
Retained Earnings at December 31		$67,745		$62,110

UNION CARBIDE CANADA LIMITED
and consolidated subsidiaries

The notes on pages 14 and 15 are an integral part of this statement.

Consolidated statement of source and application of funds

	(thousands of dollars) Year Ended December 31, 1972	Year Ended December 31, 1971 (restated)
Source of Funds		
Operations		
Net Income	$11,635	$ 9,429
Add Non-Cash Items		
Depreciation	15,037	12,739
Amortization of Patents, Trade Marks and Goodwill	411	549
Transfer (from) to Deferred Taxes	(36)	760
Share of Income of Companies Carried at Equity	(635)	(446)
Working Capital Provided from Operations	26,412	23,032
Proceeds of Debenture Issue	25,000	
Disposal of Fixed Assets (1972 proceeds $2,369)	2,203	458
Disposal of Patents, Trade Marks and Goodwill	360	—
	53,975	23,490
Application of Funds		
Acquisition of Fixed Assets	25,567	11,657
Long-Term Debt Reduction	15,129	5,032
Dividends Paid	6,000	6,000
Increase in Investment—Net	1,428	120
Other—Net	375	37
	48,499	22,846
Increase in Working Capital	5,476	644
Working Capital at beginning of year	44,731	44,087
Working Capital at end of year	$50,207	$44,731
Detail of Increases (Decreases) in Working Capital		
Cash	$ 1,205	$ 197
Receivables	1,609	(3,678)
Inventories	728	(2,414)
Prepaid Expenses	(467)	72
Short-Term Borrowings	13,000	4,650
Payables	(7,733)	1,370
Income and Other Taxes	(2,866)	447
	$ 5,476	$ 644

UNION CARBIDE CANADA LIMITED
and consolidated subsidiaries

The notes on pages 14 and 15 are an integral part of this statement.

Consolidated balance sheet

	(thousands of dollars)		
		December 31, 1972	December 31, 1971 (restated)
Assets			
Current Assets			
Cash		$ 3,291	$ 2,086
Receivables			
Trade Notes and Accounts	$ 29,557		28,919
Trade Accounts—Affiliated Companies	3,008		1,963
Other Notes and Accounts	1,593		1,667
		34,158	32,549
Inventories—valued at the lower of cost and net realizable value (Note 2)		40,721	39,993
Prepaid Expenses		1,694	2,161
Total Current Assets		79,864	76,789
Fixed Assets (Note 3)		120,843	112,532
Investments			
Companies Carried at Equity (Note 1)			
Equity in Net Assets	2,825		2,383
Advances	551		584
Mortgages, Notes and Other Investments—at cost or less	3,549		1,895
		6,925	4,862
Other Assets			
Unamortized Debt Discount and Deferred Charges	524		133
Patents, Trade Marks and Goodwill—at cost less amortization	426		1,197
		950	1,330
		$208,582	$195,513

Signed on Behalf of the Board
J. S. Dewar, Director
J. F. Shanklin, Director

UNION CARBIDE CANADA LIMITED
and consolidated subsidiaries

The notes on pages 14 and 15 are an integral part of this statement.

	(thousands of dollars) December 31, 1972		December 31, 1971 (restated)	
Liabilities				
Current Liabilities				
Short-Term Borrowings		—		$ 13,000
Payables				
Trade Accounts	$12,955		8,284	
Trade Accounts—Affiliated Companies	6,759		4,691	
Accrued Liabilities	6,774		5,780	
		26,488		18,755
Income and Other Taxes		3,169		303
Total Current Liabilities		29,657		32,058
Deferred Income Taxes (Note 4)		23,549		23,585
Long-Term Debt (Note 5)		28,031		18,160
Shareholders' Equity				
Capital Stock				
Common Shares Without Nominal or Par Value				
Authorized— 12,500,000 shares				
Issued and Outstanding—10,000,000 shares	59,600		59,600	
Retained Earnings	67,745		62,110	
		127,345		121,710
		$208,582		$195,513

Auditors' Report

To the Shareholders of Union Carbide Canada Limited

We have examined the consolidated balance sheet of Union Carbide Canada Limited and consolidated subsidiaries as at December 31, 1972 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change referred to in Note 1 with which we concur.

Hurdman and Cranstoun

Chartered Accountants

Toronto 1, Ontario
January 30, 1973

Notes to the 1972 financial statements

1. Principles of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries.
The Company has adopted the "equity method" of reporting its investment in 50% or less owned companies, under which its share of such companies' earnings is included in Consolidated Net Income. Previously the Company used the "cost method", under which only its share of dividends from such companies was included in Consolidated Net Income. The prior period adjustment to Consolidated Retained Earnings as at January 1 represents the Company's share of retained earnings of such 50% or less owned companies, less the amortization of the excess of the purchase price over equity since acquisition. Amortization is over a five-year period.
The consolidated financial statements for 1971 have been restated for comparative purposes.

The following is a financial summary of those companies carried at equity:

	Year Ended December 31, 1972	Year Ended December 31, 1971
Total Assets	$10,797	$ 9,812
Less: Total Liabilities	5,258	5,126
Net Assets	$ 5,539	$ 4,686
UCCL Equity in Net Assets	$ 2,825	$ 2,383
UCCL Equity in Net Income	$ 635	$ 446

2. Inventories

at December 31 consisted of:

	1972	1971
Raw Materials and Supplies	$ 9,822	$10,933
Work in Process	10,726	9,961
Finished Goods	20,173	19,099
	$40,721	$39,993

3. Fixed assets

The major classes of fixed assets at December 31, were:

	1972		1971	
Land—at cost		$ 4,394		$ 4,547
Buildings—at cost	$ 54,116		$ 52,318	
Less: Accumulated Depreciation	24,441	29,675	22,995	29,323
Machinery and Equipment—at cost	202,265		189,020	
Less: Accumulated Depreciation	115,491	86,774	110,358	78,662
		$120,843		$112,532

4. Income taxes

The Company uses the tax allocation principle to provide for income taxes. The time in which transactions affect taxable income frequently differs from the time in which they enter into the determination of income in the financial statements. The cumulative differences between taxes provided and taxes payable are shown as "Deferred Income Taxes" on the Consolidated Balance Sheet.
"Income Taxes—Current" for 1972 have been reduced by a credit adjustment of $828,200, resulting from acceptance of the Company's claim on re-assessment of prior years' income taxes.

5. Long term debt

	1972	1971
a) 8⅜% Unsecured debentures maturing May 1, 1992 Mandatory sinking fund requirements of $750 thousand annually commence May 1, 1978	$25,000	—
8½% Series A debentures maturing 1975	—	2,900
7¾% Series B debentures maturing 1976	—	2,100
7¼% Series C debentures maturing 1976	—	10,000
	25,000	15,000
b) A subsidiary's 5¾% First Mortgage Sinking Fund bonds maturing May 1, 1977	3,031	3,160
	$28,031	$18,160

6. Depreciation

The Company uses straight-line depreciation for financial accounting purposes. Rates are based on estimates of life-months for each group of depreciable fixed assets. Gain or loss on disposal of fixed assets is calculated on the remaining net book value at the time of disposal. Included in 1972 were charges totalling approximately $2 million. These resulted from revision of the estimated useful lives of seven metals' furnaces and from the retirement of certain other facilities including the high density polyethylene unit.

7. Retirement program

Costs of the Company's retirement program for employees are funded annually. Trust funds exceed the actuarial liability for benefits vested in employees. Past service costs are being amortized over a 25-year period ending in 1989. The most recent estimate by the Company's actuarial consultants indicates this liability to be approximately $9,934,000.

8. Commitments

Purchase commitments for capital expenditures outstanding at December 31, 1972 amounted to approximately $6,111,000.

9. Directors' and Officers' remuneration

In 1972 four directors received aggregate remuneration of $19,200 as directors, and seven directors received no remuneration as directors. Ten officers, including two past officers, received aggregate remuneration of $423,317 as officers. Five officers were also directors.

10. Sales

Consolidated sales by class of business and proportion of the total were:

	1972		1971	
Chemicals and Fibres	$ 36,743	17%	$ 33,530	17%
Plastics	65,011	31%	57,339	29%
Gases	34,704	16%	32,233	16%
Metals and Carbon	75,587	36%	75,220	38%
	$212,045	100%	$198,322	100%

(tables in thousands of dollars)

Ten year summary

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Sales										
Chemicals and Fibres	$ 36,743	$ 33,530	$ 32,133	$ 31,625	$ 30,387	$ 26,320	$ 23,277	$ 24,660	$ 26,109	$ 22,989
Plastics	65,011	57,339	55,599	51,922	46,686	46,757	46,889	44,808	41,385	34,592
Gases	34,704	32,233	33,835	29,913	29,190	27,830	25,828	23,264	20,955	18,841
Metals and Carbon	75,587	75,220	77,965	70,418	59,895	60,072	58,741	52,605	44,935	37,000
	$212,045	$198,322	$199,532	$183,878	$166,158	$160,979	$154,735	$145,337	$133,384	$113,422
Net income										
Amount	11,635	9,429	11,285	11,548	9,470	9,167	13,041	13,039	12,130	9,728
% of Sales	5.5%	4.8%	5.7%	6.3%	5.7%	5.7%	8.4%	9.0%	9.1%	8.6%
Per Share (on 10,000,000 shares outstanding)	1.16	.94	1.13	1.15	.95	.92	1.30	1.30	1.21	.97
Total assets	208,582	195,513	203,257	193,401	184,265	179,734	166,108	150,379	141,962	139,233
Working capital	50,207	44,731	44,345	42,583	42,542	42,556	44,725	46,749	45,828	48,684
Construction expenditures	25,567	11,657	16,525	15,890	13,262	20,053	24,465	13,560	13,432	8,993
Depreciation	15,037	12,739	12,480	13,309	12,006	11,501	9,966	8,876	8,335	8,010
Employee data Wages & Salaries	45,764	44,695	42,733	38,823	35,749	34,502	31,682	26,833	24,886	21,284
Average Number of Employees	4,935	5,197	5,307	5,205	5,131	5,405	5,335	4,736	4,573	4,092

The years 1966 through 1971 are restated as explained in Note 1 to the financial statements.

(dollars in thousands—except per share figures)

Plants	Products
Carbon Welland and Toronto, Ontario	Electric Arc Furnace Electrodes Electrolytic Cell Anodes / Furnace Linings / Electric Motor and Generator Brushes / Theatre Projector Carbons Carbon and Graphite Products for chemical, electrical, mechanical and metallurgical applications
Chemicals Montreal East, Quebec	Union Carbide Organic Chemicals including Ethylene Oxide, Ethanolamines, Glycols and Glycol Ethers Agricultural Chemicals / Silicone Chemicals, Resins, Oils and Elastomers
Consumer Products Toronto, Orangeville and Walkerton, Ontario	Eveready Flashlight, Lighting, Alkaline, Hearing Aid, Transistor and other Electronic Batteries / Eveready Flashlight Cases and Lanterns / Lindé Star Sapphires and Rubies / Synthetic Crystals / Prestone II Anti-Freeze and Summer Coolant / Prestone Car Care Products / 6-12 PLUS Insect Repellent Eveready Flashlight Lamps / Glad Food Wrap, Bags and Garbage Bags
Fibres Arnprior, Ontario	Unel Nylon / Dynel Modacrylic Fibre
Gases Vancouver and Vernon, British Columbia / Calgary and Edmonton, Alberta / Saskatoon, Saskatchewan / Selkirk, Thompson and Transcona, Manitoba / Thunder Bay, Sault Ste. Marie, London, Malton, Mississauga, Welland, Oakville, Sarnia and Ottawa, Ontario / Noranda, Arvida, Montreal, Montreal East, Tracy, Lauzon and Sept-Iles, Quebec / Saint John, New Brunswick / Halifax, Nova Scotia	Linde Oxygen, Nitrogen, Hydrogen, Argon and Rare Gases / Specialty Gas Mixtures / Calcium Carbide and Acetylene / Welding, Cutting, Forming and Heat-Treating Apparatus / Coatings Service / Steel-Conditioning Machines / Rock-Piercing and Shaping Equipment Medical Gases, Inhalation and Suction Therapy Equipment / Distillation Trays Cryogenic Equipment / Food Freezing Equipment / Molecular Sieves / Unox System for secondary waste water treatment.
Metals Welland, Ontario / Beauharnois and Chicoutimi, Quebec	Ferroalloys, Alloying Metals, Pure Metals and Metal Compounds produced from the elements Boron, Calcium, Chromium, Columbium, Manganese, Silicon, Tantalum, Titanium, Tungsten, Vanadium and Zirconium
Plastics Surrey, British Columbia / Lindsay and Belleville, Ontario / Cowansville and Montreal East, Quebec / Amherst, Nova Scotia	Union Carbide Phenolic Resins and Compounds / Polyethylene and Co-Polymer Resins and Compounds / Epoxy Resins / Phenoxy Resins / Vinyl and Polystyrene Resins and Compounds / Polysulfone Resins / Polyethylene Film / Flexible Packaging / Visking Cellulose and Fibrous Food Casings
Principal operating subsidiaries	Dominion Viscose Products Limited—cellulose food casings Smelter Power Corporation—electric power Union Carbide Canada Mining Ltd.—mining and exploration for minerals.

Union Carbide Canada Limited

Head Office
123 Eglinton Avenue East
Toronto, Canada
M4P 1J3

Stock Transfer Agent and Registrar
Canada Permanent Trust Company
Toronto, Halifax, Montreal, Winnipeg
and Vancouver

Stock Exchange Listings
Montreal, Toronto and Vancouver

Auditors
Hurdman and Cranstoun
Toronto

UNION CARBIDE

Carbon & Graphite
Chemicals
Consumer Products
Fibres
Gases
Metals
Plastics

UNION CARBIDE

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Toronto 12, Canada

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Winnipeg and Vancouver

Stock Exchange Listings
Montreal, Toronto and Vancouver

Wholly-Owned Consolidated Operating Subsidiaries
Dominion Viscose Products Limited
Smelter Power Corporation
Union Carbide Canada Mining Ltd.

UNION CARBIDE

UNION CARBIDE CANADA LIMITED

Semi-Annual Report June 30 1972

Sales in the first half of 1972 were $103,292,000, six per cent greater than sales of $97,777,000 in the same period last year.

Net income showed a 24 per cent improvement, increasing to $5,784,000, or 58 cents a share, from the $4,663,000, or 47 cents a share, earned in the first six months of 1971. Expanded sales, which led to improved utilization of capacity, and the removal of the federal surtax were the major contributing factors.

The sales growth is indicative of the buoyancy of the Canadian economy during the last six months. For the balance of the year, we anticipate sharing in continued domestic economic growth.

In June, Union Carbide's interest in Becker Drills Ltd. was sold with no significant effect on consolidated earnings.

Work continues on schedule on the construction of the two current major construction projects – a $13.7 million manganese alloy furnace at the Beauharnois, Quebec, plant and a $13.5 million tonnage oxygen facility at Sault Ste. Marie, Ontario. Both will be in service in 1973.

J. S. Dewar
President

UNION CARBIDE

UNION CARBIDE CANADA LIMITED and Consolidated Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT *(subject to year-end audit and adjustment)*

SIX MONTHS ENDED JUNE 30

	1972 *(in thousands of dollars)*		1971	
Sales		$103,292		$97,777
Cost of Goods Sold	$76,495		$72,757	
Selling, General and Administrative Expenses	8,422		8,267	
Depreciation	6,625		6,518	
Interest on Long Term Debt	829		697	
Amortization of Patents, Trade Marks and Goodwill	228	92,599	173	88,412
		10,693		9,365
Investment Income	458		308	
Gain on Disposal of Capital Assets	47	505	93	401
		11,198		9,766
Income Taxes				
Current	3,973		4,535	
Deferred	1,441	5,414	568	5,103
Net Income		$ 5,784		$ 4,663
Net Income per Share	$0.58		$0.47	

INTERIM CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(subject to year-end audit and adjustment)

SIX MONTHS ENDED JUNE 30

	1972	1971 *(in thousands of dollars)*
Working Capital at beginning of period	$45,048	$44,345
Source of Funds		
Operations		
Net Income	5,784	4,663
Add Non-Cash Items		
Depreciation	6,625	6,518
Amortization of Patents, Trade Marks and Goodwill	228	173
Transfer to Deferred Income Taxes	1,441	568
Working Capital Provided from Operations	14,078	11,922
Disposal of Fixed Assets and Intangibles	1,488	88
Proceeds of Debenture Issue	25,000	—
	40,566	12,010
Application of Funds		
Repayment of Long Term Debt	15,020	50
Acquisition of Fixed Assets	8,637	4,420
Dividends Paid	3,000	3,000
Investments	1,703	457
Deferred Debenture Discount	400	—
Other – Net	530	94
	29,290	8,021
Increase in Working Capital	11,276	3,989
Working Capital at end of period	$56,324	$48,334